

# Climate Navigation Cockpit (CNC)

*Green Finance Alliance*

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## What is the Climate Navigation Cockpit?



In order to achieve the [Green Finance Alliance's](#) long-term target – GHG neutrality by 2050 – , the initiative's members are required to introduce key performance indicators for portfolio management and to set corresponding short- and medium-term targets.



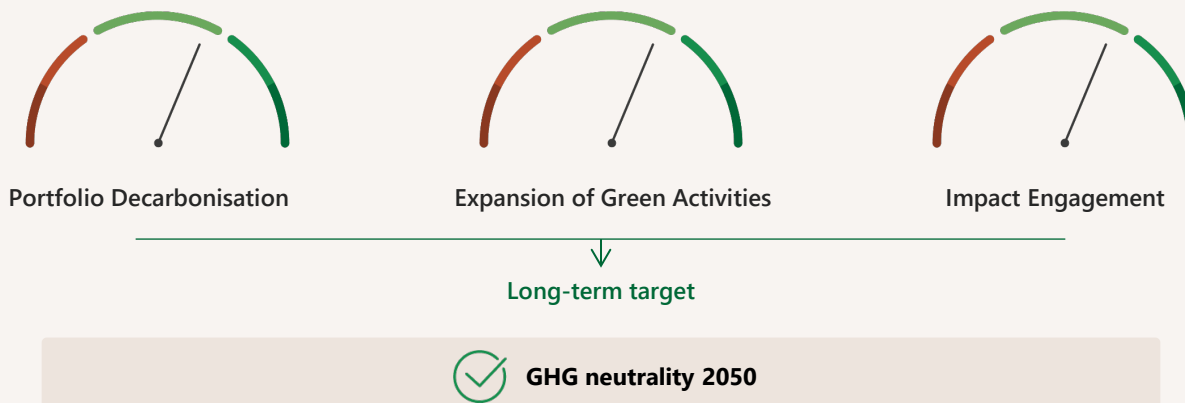
As a basis for this, GFA members can choose between setting and validating targets under the Science Based Targets Initiative (SBTi) or applying the Climate Navigation Cockpit (CNC).



The Climate Navigation Cockpit was developed within the framework of the Green Finance Alliance (GFA) by the GFA Coordinating Office – tailored to the framework conditions and needs of the members.

## What is the Climate Navigation Cockpit (CNC)?

- **Purpose:** The CNC provides a modular key performance indicator set for holistic, climate-related portfolio steering.
- **Target users:** Banks, insurance companies, asset managers, pension funds, corporate provision funds.
- **Scope of application:** Investment portfolio and lending portfolio, underwriting portfolio (insurance).
- **Structure:** Three steering modules, divided into sub-modules and key performance indicators.



# Steering module 'Portfolio Decarbonisation'

# Steering module: Portfolio decarbonisation

## Purpose

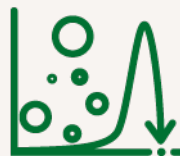
- The steering module measures and manages **portfolio decarbonisation**. In this context, decarbonisation refers to the reduction in GHG emissions from the portfolio components.

## Structure

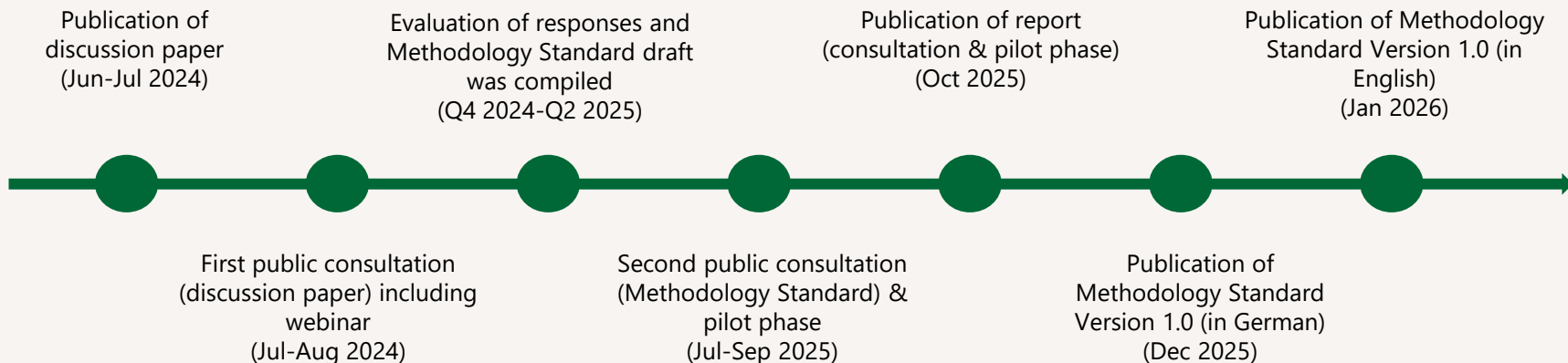
- The steering module is based on **I-PEPs** (Indicators for Portfolio-related Emission Performances), an innovative KPI-set. It was developed within the GFA, subjected to multiple public consultations and tested in practice.

## Objective

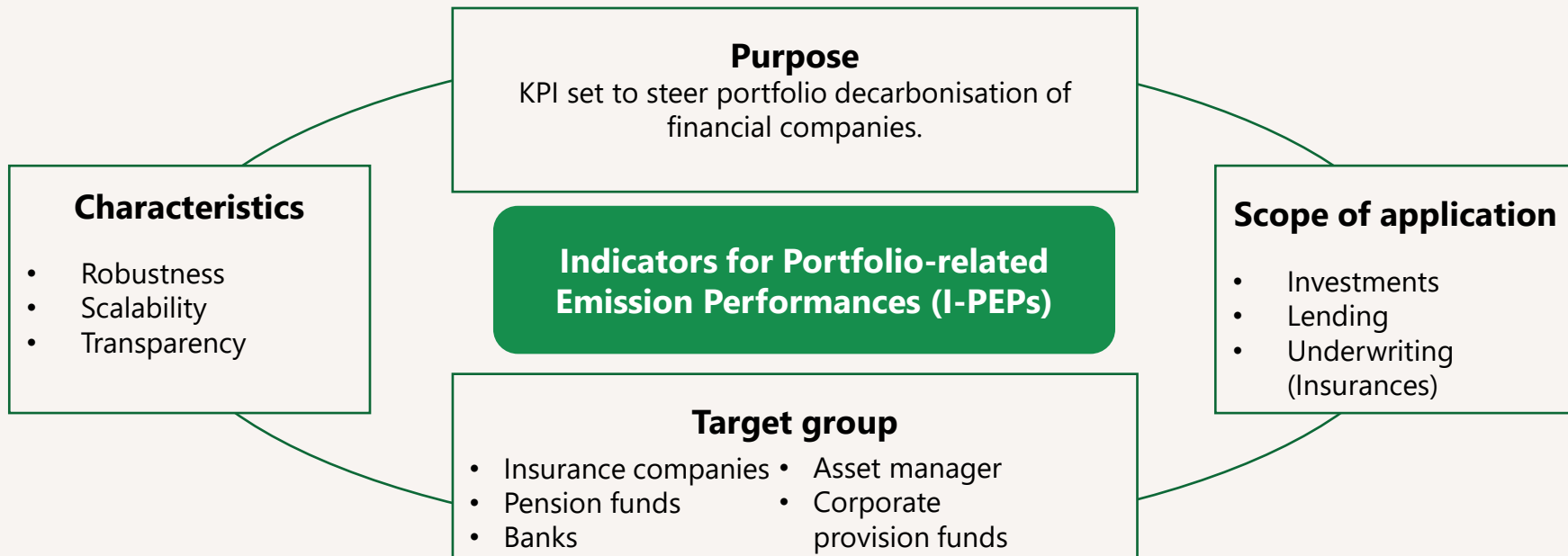
- By using I-PEPs, financial companies are encouraged to pay greater attention to **reducing corporate GHG emissions in the real economy**. This enables them to take appropriate action.



# I-PEPs development: Milestones



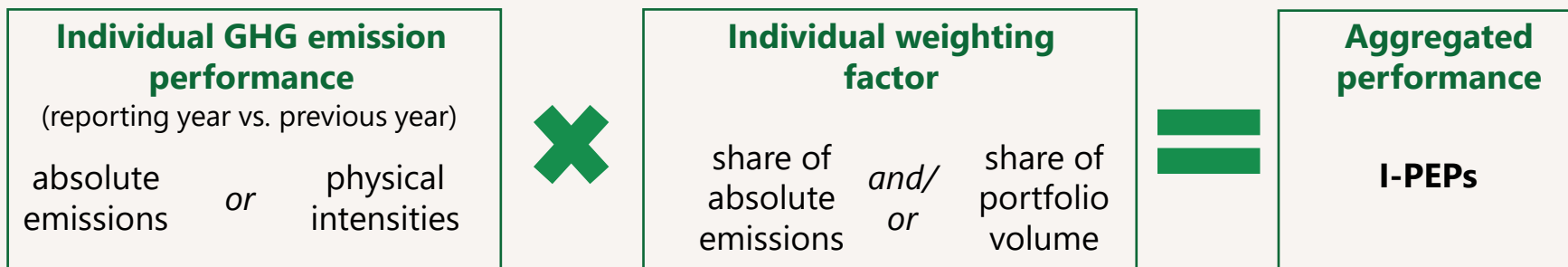
# I-PEPs in a nutshell



Note: Detailed information on I-PEPs is provided in the Methodology Standard, which is publicly available on the Green Finance Alliance Coordinating Office [website](#).

# Methodology in a nutshell

## Calculation outline



- The methodological approach provides a standardised framework for all I-PEPs.
- Adaptation to the characteristics of the respective application area is achieved by:
  - Determination of the calculation basis for the emission performance.
  - Determination of the weighting approach to define weighting factors.

The significance of the emission performance is ensured by using only **reported GHG emissions** to calculate I-PEPs. The use of estimated values is not intended, as this would lead to result distortions!

# KPIs to steer portfolio decarbonisation: I-PEPs



## Metrics based on absolute GHG emissions

*Metrics*

- ■ ■ Investments in equities & corporate bonds (CPEP)
- ■ ■ Corporate lending (LPEP)
- ■ ■ Investments in sovereign bonds (SPEP)

*Aggregated metric*

- ■ ■ Aggregated Portfolio-related absolute Emission Performance (APEP<sub>abs</sub>)

Investment & lending  
portfolio



## Metrics based on physical emission intensities

*Metrics*

- ■ ■ Mortgages (MPEP)
- ■ ■ Commercial real estate (CREPEP)
- ■ ■ Project finance – Electricity production (EPEP)
- ■ ■ Equities & corporate bonds in GHG intensive sectors (CPEP<sub>sector</sub>)
- ■ ■ Corporate lending in GHG intensive sectors (LPEP<sub>sector</sub>)

*Aggregated metric*

- ■ ■ Aggregated Portfolio-related Emission Intensity Performance (APEP<sub>int</sub>)

*Metric*

- ■ ■ Underwriting of corporate clients (UPEP)

Underwriting  
portfolio

*Metric*

- ■ ■ Underwriting of corporate clients in GHG intensive sectors (UPEP<sub>sector</sub>)

## Steering module 'Expansion of Green Activities'

# Steering module: Expansion of Green Activities

## Purpose

- The steering module is designed to clearly define, quantitatively measure and manage the forward-looking **expansion of green activities**.

## Structure

- The steering module is based on three sub-modules covering the areas of **investments, lending and insurance**. Each sub-module contains specific key performance indicators.

## Objective

- The use of these key performance indicators drives the **expansion of capital flows** towards green economic activities and technologies, as well as corresponding product solutions.



# Expansion of Green Activities



## Sustainable investments

*Steering sub-module*

- Expansion of the sustainable fund portfolio
- Expansion of investments in green bonds
- Expansion of sustainable direct investments
- Expansion of EU taxonomy-aligned investments

*Metrics*



## Expansion of Green Activities

*Steering module*



## Sustainable lending

*Steering sub-module*

- Expansion of green standard-based lending
- Expansion based on labels/certifications
- Expansion of EU taxonomy-aligned lending

*Metrics*



## Sustainable insurance

*Steering sub-module*

- Expansion of green insured activities
- Expansion of green products in non-life insurance (e.g. motor and buildings insurance)
- Expansion of green products in life insurance

*Metrics*

## Steering module 'Impact Engagement'

# Steering module: Impact engagement

## Purpose

- To ensure that the **engagement process** with companies is effective, financial companies need clearly defined targets. This requires suitable key performance indicators, as provided by this steering module.

## Structure

- The steering module is divided into two sub-modules – depending on whether **engagement with companies** is **direct** or **indirect**.

## Objective

- Embedded within a holistic engagement strategy, the targeted use of key performance indicators supports effective management and promotes the **climate-friendly transition** of companies.



# Impact Engagement



Direct engagement

*Steering sub-module*



Impact engagement

*Steering module*



Indirect engagement

*Steering sub-module*

*Metrics for the investment/lending portfolio and underwriting portfolio*

- ■ ■ Proportion of companies with validated climate targets
- ■ ■ Proportion of companies with climate targets & CapEx plans
- ■ ■ Proportion of companies with GHG disclosures
- ■ ■ Number of climate-related engagement formats with companies

*Metrics for the investment and lending portfolio*

- ■ ■ Sector-specific engagement based on PACTA metrics

*Metrics for third-party fund investments*

- ■ ■ Share of asset managers (AM) with validated climate targets
- ■ ■ Share of AMs with a climate-related engagement strategy
- ■ ■ Share of AMs with climate-related voting guidelines & reporting
- ■ ■ Share of third-party fund investments excluding fossil fuels
- ■ ■ Number of climate-related engagement formats with AMs/fund managers

*Metrics for engagement with insurance intermediaries*

- ■ ■ Number or proportion of intermediaries with sustainability training
- ■ ■ Number of bilateral climate-related exchange formats with intermediaries

## Strategic Management

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Green Finance Alliance publications:

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